

Message Text

CONFIDENTIAL

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44

ACTION EUR-10

INFO OCT-01 SS-14 ISO-00 EURE-00 AF-04 NEA-06 EB-03 COME-00

SCEM-02 SCI-03 OMB-01 NSC-10 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 PM-03 DODE-00 L-02 CIEP-02 DRC-01

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 5217

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L LONDON 12692

LIMDIS

E.O. 11652: XGDS-1

TAGS: ENRG, UK, EC

SUBJECT: BRITISH OIL SUPPLY SITUATION AND POSSIBLE
EC OIL SHARING ARRANGEMENT

1. FCO SOURCE TELLS US ON CONFIDENTIAL BASIS THAT HMG
NOW HAS RECEIVED ASSURANCES OF "FRIENDLY" EXEMPTION
FROM PRODUCTION CUTBACKS FROM SAUDI ARABIA, ABU DHABI,
QATAR AND, SOMEWHAT LESS CATEGORICALLY, FROM KUWAIT.
AS LONG AS THIS FAVORED STATUS LASTS, PRACTICAL EFFECTS
OF CUTBACKS ON BRITAIN SHOULD BE MINIMAL INASMUCH AS
LIBYA (13.9 PER CENT OF 1972 CRUDE IMPORTS) IS ONLY
IMPORTANT SUPPLIER WHICH HAS NOT GRANTED PREFERENTIAL
STATUS TO UK. MOREOVER, UK PRODUCT IMPORTS FROM
NETHERLANDS TOTAL ONLY 120,000 B/D.

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2. AGAIN ON CONFIDENTIAL BASIS, WE HAVE BEEN ADVISED SPAIN (DTI) AND TAYLOR (FCO) ARE TO MAKE ONE WEEK TOUR OF SAUDI ARABIA, KUWAIT, ABU DHABI AND QATAR STARTING NOVEMBER 1 TO REVIEW SITUATION. WE SUSPECT THAT WILL BE INTERESTED IN LEARNING AS MUCH AS THEY CAN ABOUT OAPEC, PARTICULARLY SAUDI, INTENTIONS REGARDING NETHERLANDS EMBARGO AS WELL AS UK POSITION.

3. BOTH DTI AND FCO OFFICIALS ARE CONCERNED HOWEVER ABOUT SPREADING ARAB EMBARGO ON OIL EXPORTS TO NETHERLANDS. THEY ARE UNENTHUSIASTIC ABOUT PROSPECT OF DUTCH ASKING EC PARTNERS TO JOIN IN OIL SHARING ARRANGEMENTS. FCO SOURCE REASONS THAT ANY ATTEMPT TO SHARE DUTCH BURDEN WOULD ONLY TRIGGER EXTENSION OF OAPEC PRODUCTION CUTS TO ALL EC MEMBERS, INCLUDING FRANCE AND BRITAIN. HMG IS STILL "DOING ITS SUMS" BUT LIKE LIKELIHOOD IS DUTCH AND GERMANS WOULD COME OUT AHEAD WITH EC POOLING ARRANGEMENTS EVEN IF BASED ON FURTHER REDUCED TOTAL IMPORTS FROM OAPEC SOURCES.

4. COMMENT: THERE IS SOME DIFFERENCE OF OPINION WITHIN HMG WHETHER OR NOT BRITAIN SHOULD GO ALONG WHEN AND IF DUTCH REQUEST EC SHARING. ALTHOUGH BRITISH GENERALLY BELIEVE DUTCH HAVE BEEN IMPRUDENT IN THEIR RELATIONS WITH ARAB PRODUCERS BEFORE AND SINCE IAST WAR, OUR BEST GUESS IS THAT IN FINAL ANALYSIS PRIME MINISTER HEATH WILL STICK BY SPIRIT AND LETTER OF ROME TREATY COMMITMENTS AND SUPPORT DETERMINED DUTCH REQUEST.

5. MINIMIZE CONSIDERED. DEPARTMENT PASS AS APPROPRIATE.

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